

Message Text

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PASS USDA/FAS/MCCONNELL, SUGAR AND TROPICAL PRODS, FCA

E.O. 11652: N/A
TAGS: EAGR, RP
SUBJECT: PRESIDENT MARCOS MEETS WITH SUGAR INDUSTRY LEADERS

REF: MANILA 18765

1. PRESIDENT MARCOS HAD LENGTHY MEETING ON DECEMBER 10 WITH LEADERS OF THE SUGAR INDUSTRY TO REVIEW THE DETERIORATING SUGAR SITUATION AND MADE TWO SIGNIFICANT ANNOUNCEMENTS WHICH WERE EXTENSIVELY REPORTED IN THE PRESS. FIRST, PRODUCTION LOAN DEFICITS WOULD BE RESTRUCTURED OVER A FIVE-YEAR PERIOD AND, IF NECESSARY, WOULD BE EXTENDED FOR ANOTHER FIVE YEARS. SECOND, MARGINAL FARMERS WHO CANNOT PROFITABLY PRODUCE SUGAR AT THE NEWLY ANNOUNCED PRICE LEVEL DISCUSSED IN REFTEL AND WHO SWITCH PRODUCTION TO OTHER CROPS WILL BE EXEMPT FROM INCLUSION IN THE LAND REFORM PROGRAM. THIS WOULD ENCOURAGE SWITCHING TO CORN AND EVEN RICE.

2. THE PRESIDENT DIRECT PNB TO LOOK INTO REPORTS THAT LABORERS ON SOME PLANTATIONS HAVE NOT BEEN PAID.

3. HE ALSO ANNOUNCED THE THE CONSTRUCTION OF NEW SUGAR MILLS WOULD BE POSTPONED IF BUILDING CONTRACTS WOULD PERMIT. ONLY ONE OF THE FIVE MILLS CURRENTLY APPROVED FOR CONSTRUCTION WILL BE DELAYED.

4. RELIABLE TRADE SOURCE INDICATES THAT ANOTHER PRICE INCREASE WAS DISCUSSED AT THE MEETING. TWO ALTERNATIVES WERE REVIEWED:
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1). RAISE PRICE PHILEX PAYS TO PRODUCER FOR DOMESTIC SUGAR

FROM P60 A PICUL TO P75 A PICUL AND RAISE SELLING PRICE FROM P75 A PICUL TO P90 A PICUL. INDUSTRY OFFICIALS FEEL THIS INCREASE JUSTIFIABLE BECAUSE OF SMALL EFFECT ON CONSUMER (ABOUT 3 CENTAVOS PER PERSON PER DAY) AND ON THE INFLATION RATE.

2). DECREASE THE GAP BETWEEN PHILEX'S BUYING AND SELLING PRICE. PHILEX CURRENTLY BUYS DOMESTIC SUGAR FOR P60 A PICUL AND SELLS FOR P75 A PICUL. THIS PROPOSAL WOULD RAISE THE PRICE PAID TO THE FARMERS TO P75 BUT RAISE THE SELLING PRICE BY ONLY A FEW PESOS. CONTRACT FEELS THAT ANOTHER PRICE ADJUSTMENT CAN BE EXPECTED WITHIN 30 DAYS.

5. ANOTHER REPORT IS THAT THE PRESIDENT WILL KEEP THE PRESENT DOMESTIC AND EXPORT LIQUIDATION PRICES BUT COMBINE THEM ON A 30 TO 70 BASIS (INSTEAD OF CURRENT RATIO OF 35 TO 65) TO GIVE A COMPOSITE PRICE OF P81.00 PICUL. IF THE DOMESTIC LIQUIDATION PRICE IS RAISED TO P75 PER PICUL, A 30 TO 70 MIX WOULD RESULT IN A COMPOSITE PRICE OF P85.50 PER PICUL.

6. COMMENT. EVERYONE, OF COURSE, IS HOPING FOR HIGHER PRICES -- EXCEPT THE CONSUMER WHO IS NOT BEING ASKED AS JESUS BORGONIA COMPLAINED IN HIS BULLETIN TODAY COLUMN.

SULLIVAN

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